

**Municipal Parking Department
Review of Bank Accounts**

October 2000




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MEMORANDUM

DATE: May 9, 2001

TO: Mayor Dennis W. Archer
Honorable City Council

FROM: Joseph L. Harris
Auditor General 

RE: Review of Municipal Parking Department's Bank Accounts

This report provides the results of our review of the Municipal Parking Department's bank accounts. It is one of many reviews of City agencies the Office of the Auditor General (OAG) plans to conduct to assess the need for each City bank account and to determine the timeliness of the performance of reconciliations for each account.

A copy of this report has been provided to the Municipal Parking Department and the Finance Department.

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EXECUTIVE SUMMARY

Introduction	This report contains the results of our review, performed in September and October 2000, of the bank accounts under the control of the Municipal Parking Department (MPD).
Objectives	The objectives of this review were to determine whether each bank account is required to meet operating requirements or needs and terms of existing regulatory or statutory agreements, and whether each account is properly reconciled on a timely basis.
Overall Conclusion	Based on our review, each of the twenty-four (24) bank accounts, which existed at June 30, 2000, is required to meet legitimate MPD operating requirements or needs and terms of bond sale agreements. However, we did note the need for improvements in the management and control of the bank accounts, as discussed in our findings and recommendations.
Findings	<ol style="list-style-type: none">1. Bank account reconciliations are not performed on a timely basis.2. We noted deficiencies in the performance of reconciliations of MPD bank accounts.
Recommendations	<ol style="list-style-type: none">1. To ensure regular and more timely bank account reconciliations, we recommend the MPD implement procedures and provide the resources necessary to perform a monthly reconciliation of each bank account by the end of the following month.2. To provide for a more effective reconciliation process of its bank accounts, we recommend the MPD take the action necessary to obtain missing bank statements and to prepare an up-to-date reconciliation for each of the accounts not reconciled.

BACKGROUND

A review of the City's bank accounts was initiated by the Office of the Auditor General in response to comments included in a management letter, provided to the City by KPMG LLP, as the auditor of the City's financial statements. The comments are as follows:

We recommend that a responsive action plan be developed to promote timely and effective bank reconciliations for every deposit account. Such a plan should have written procedures for preparation of reconciliations, including assigned responsibility, required review by an independent party each month for propriety, and training of employees in the details of preparing bank reconciliations to the extent warranted. We also suggest a zero tolerance policy for non-compliance with such established procedures in order to foster a culture of continuous compliance.

We also suggest that the City perform a review to determine the number of bank accounts required to meet operating requirements, and terms of existing regulatory and statutory agreements. Currently, several hundred bank accounts exist. We believe many accounts can and should be closed. Such closings will reduce the number of account reconciliations required and reduce the chance for irregularities.

Accordingly, the Office of the Auditor General is ascertaining whether each bank account of each City agency is required, and reconciled on a timely basis.

This report provides the results of our review of the bank accounts of the Municipal Parking Department, which had twenty-four (24) bank accounts with balances totaling approximately \$78.5 million, as of June 30, 2000.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Audit Objectives

Our review had the following objectives:

- Determine whether each bank account is required or needed to meet operating requirements or terms of existing regulatory or statutory agreements.
- Determine whether each bank account is effectively reconciled on a timely basis.

Audit Scope

Our review focused on bank accounts under the control of the Municipal Parking Department at June 30, 2000.

Our audit was conducted in accordance with the Governmental Auditing Standards issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures included but were not limited to the following:

- We compared the list of bank accounts substantiated with the banks by the OAG to the list provided to us by the MPD, and cited and resolved the differences.
- We obtained information from management as to the description, purpose, and need of each bank account.
- We examined bond sale agreements and other records, in the Finance Department's Debt Management Section to substantiate the requirement for each trust account.
- We examined bank account reconciliation records for selected months.
- We examined bank account statements for indications of no activity.

OVERALL CONCLUSION

Based on our review, each of the twenty-four bank accounts maintained by the Municipal Parking Department (MPD), as of June 30, 2000, was needed to meet legitimate operating requirements or terms of bond sales agreements and the Contract of Lease No. 2, which relates to the leasing of parking facilities between the City of Detroit and the Detroit Building Authority. We did not identify any bank accounts (e.g., stagnant accounts) that should be closed or considered for closing by the MPD.

The twenty-four bank accounts consisted of the following types of accounts:

- 17 trust accounts
- 6 checking accounts, including 2 imprest cash accounts
- 1 investment account

Each of the 17 trust accounts relates to specific financial activity of a specific MPD bond issue. Such separate bank accounts are maintained to satisfy requirements included in the official bond statement of each bond issue and in Contract of Lease No 2.

The six checking accounts consist of three accounts to meet operating requirements for the Parking Violations Bureau (PVB), which is part of the General Fund, and three accounts for the Automobile Parking Fund (APF), which is an enterprise fund. For both the PVB and APF, one of the three checking accounts was established to account for the deposit of receipts, the second for the payment of operation and maintenance expenses, and the third for imprest cash purchases.

The investment account is used to invest available funds of the Automobile Parking Fund on a short-term basis.

In addition, we noted the need for improvements in the management and control of the bank accounts, as discussed in our findings and recommendations.

FINDINGS AND RECOMMENDATIONS

1. **Bank Account Reconciliations are Not Performed on a Timely Basis**

On November 2, 2000, the most recent bank account reconciliations performed by the Municipal Parking Department (MPD) covered the period through June 30, 2000. This indicates that reconciliations are not performed on a timely basis. By November 2, the MPD should have performed bank account reconciliations through September 30, 2000.

Preparing reconciliations on a timely basis and with regular frequency (i.e., each month within thirty days of the closing dated on the latest bank statement) provides greater assurance that all reconciling items and any irregularities will be more readily identified and substantiated. Performing reconciliations on an infrequent and untimely basis makes the reconciliation process more difficult to complete and less effective as an internal control procedure. For the reconciliation process to be effective, it needs to be timely.

To ensure regular and more timely bank account reconciliations, **we recommend** the MPD implement procedures and provide the resources necessary to perform a monthly reconciliation of each bank account by the end of the following month.

2. **Deficiencies in the Reconciliation of Bank Accounts**

We examined the MPD's bank account reconciliations for selected months, and noted the following deficiencies in the reconciliation process:

- Not all bank accounts were reconciled; there was no record of reconciliation for three accounts in one selected month and for four accounts in another month.
- Bank statements could not be located for many months of the fiscal year ended June 30, 2000 for one bank account.

For the reconciliation process to be a worthwhile and effective internal control procedure, the noted deficiencies need to be addressed.

To provide for a more effective reconciliation process of its bank accounts, **we recommend** the MPD take the action necessary to obtain missing bank statements and to prepare an up-to-date reconciliation for each of the accounts not reconciled.